# REPORT

# OF THE

# SUPERINTENDENT OF PENSIONS

# ON THE

# ADMINISTRATION OF THE PENSION BENEFITS ACT

# FOR THE YEAR ENDING MARCH 31, 1988

91-06617/

Nova Scotia

**Department of Finance**

Pension Benefits Division

PO Box 187
Halifax, Nova Scotia
B3J 2N3

902 424-8915
Fax 902 429-0257
Telex 019-22570

Our file no:

The Honourable Greg Kerr
Minister of Finance
Province of Nova Scotia
Halifax, Nova Scotia

Dear Sir:

Pursuant to the requirements of Section 94 of the Pension Benefits Act, I have the honour to submit herewith the Annual Report of the Pension Benefits Division for the fiscal year ended March 31, 1988.

Respectfully submitted,

Percy Fleet
Superintendent of Pensions

# ELEVENTH ANNUAL REPORT ON THE ADMINISTRATION OF THE PENSION BENEFITS ACT FOR THE PERIOD ENDED MARCH 31, 1988

## INTRODUCTION

The Pension Benefits Act (Statutes of Nova Scotia 1987, Chapter II) came into force effective January 1, 1988, replacing the Pension Benefits Act (Statutes of Nova Scotia 1975, Chapter 14) which had been enacted on January 1, 1977.

In accordance with Section 94 of the new Pension Benefits Act, the Superintendent of Pensions is required to report annually to the Minister of Finance on the affairs of his office covering the transactions and operations of the immediately preceding fiscal year. This Report covers the affairs and transactions of the fiscal year 1987-88.

## SIGNIFICANT EVENTS SINCE PREVIOUS REPORT

On May 29, 1987, the new Pension Benefits Act was assented to by the Governor and Assembly. The Regulations were made by the Governor in Council on December 17, 1987. Both the Act and the Regulations under the Act became effective January 1, 1988.

The old Act had four main areas of regulation, namely: vesting of benefits and locking in of contributions, information disclosure, funding of benefits and investment of funds. Consistent with federal-provincial agreements on pension reform, the new Act considerably strengthened the standards in the first two areas and added a number of other standards in regard to plan administration, eligibility for membership, spousal benefits, portability of benefits and prohibition of sex discrimination.

## PRINCIPAL DUTIES AND RESPONSIBILITIES

The main objective of the Pension Benefits Act is to safeguard employee entitlements to benefits promised under private sector plans through the establishment of minimum standards.

**PRINCIPAL DUTIES AND RESPONSIBILITIES, CONT'D.**

Such standards encompass eligibility requirements, vesting and locking-in, minimum employer contributions, transfer rights, joint and survivor retirement pensions, elimination of sex discrimination, funding, investments and disclosure of information.

The Pension Benefits Division is responsible for the administration and enforcement of the Act. The Division accomplishes the purposes of the Act through the following activities:

- Registration of all pension plans established for employees in Nova Scotia.
- Rejection of any pension plan that does not qualify for registration.
- Supervision of all registered pension plans to ensure continuing compliance with the Act and Regulations.
- Administration and enforcement of the terms and provisions of the Act and Regulations.
- Cancellation of Certificates of Registration in respect of those pension plans that fail to comply with the Act and Regulations.
- Promotion of the establishment, extension and improvement of pension plans throughout Nova Scotia.

**ADDITIONAL DUTIES AND RESPONSIBILITIES REQUIRED BY THE ACT**

In addition to the main function, the Division has additional responsibilities:

- Agreements with the Government of Canada and other provinces having similar legislation provide for the reciprocal registration, audit and inspection of pension plans.
- Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members.

**ADDITIONAL DUTIES AND RESPONSIBILITIES, CONT'D.**

- This requires the Division to carry out the duties and responsibilities of the other authorities in respect of the pension plans which it supervises in accordance with the agreements.

- As at January 1, 1987, 1,087 pension plans subject to the Pension Benefits Act of Nova Scotia were supervised by other provincial and federal authorities on behalf of our Division. The number of Nova Scotia plan members covered by these plans totalled 31,611.

**SIMILAR LEGISLATION**

Legislation similar to the Pension Benefits Act of Nova Scotia has been enacted by the following governments:

**Canada**
Pension Benefits Standards Act, 1987, effective October 1, 1967. Revised effective January 1, 1987.

**Ontario**
The Pension Benefits Act, 1965, effective January 1, 1965. Revised effective January 1, 1988.

**Saskatchewan**
The Pension Benefits Act, 1967, effective January 1, 1969. Amended July 1, 1981.

**Quebec**
Supplemental Pensions Plan Act, effective January 1, 1966.

**Manitoba**
The Pension Benefits Act, effective July 1, 1976. Amended by S.M. 1983, c. 79.

**Alberta**
Employment Pension Plans Act, effective January 1, 1987. (Replaced the Pension Benefits Act which was effective January 1, 1967).

SIMILAR LEGISLATION, CONT'D.

**Newfoundland**
The Pension Benefits Act, effective January 1, 1985.

**MEETINGS WITH OTHER AUTHORITIES**

The representatives of these authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas.

Two specific groups are involved in these meetings:

- Representatives of the various authorities are members of The Canadian Association of Pension Supervisory Authorities (CAPSA).

The main purposes of the Association are:

(1) To evaluate on a continuing basis the legislation in force and to recommend amendments;

(2) To promote uniformity in legislation, its interpretation and administration;

(3) To create a group identity, thereby furthering communications with other groups having an interest in pension plans;

(4) To allow members improved co-ordination in their research programs, particularly with a view to avoiding duplication;

(5) To establish and maintain relations with other organizations working towards similar objectives.

Four meetings of CAPSA were held during the 1987-88 fiscal year.

A sub-committee of CAPSA, the Standing Committee of Superintendents, also meets on a continuing basis to discuss and review ongoing changes in the pension field, ways of dealing with problem areas and to carry out studies and assignments on behalf of the Association. There were four meetings of the Superintendents during the fiscal year 1987-1988.

**MEETINGS WITH OTHER AUTHORITIES, CONT'D.**

Representatives of other jurisdictions that are considering the possibility of pension regulatory legislation attend meetings of CAPSA from time to time, by open invitation. Jurisdictions that have availed themselves of the invitation are British Columbia, New Brunswick and Prince Edward Island.

**REGULATION OF PENSION PLANS**

As outlined in Table I, the Pension Benefits Division received 36 applications for registration during the period covered by this report, providing coverage for 2,204 members. A total of 73 Certificates of Registration were issued. This compares to 22 Certificates issued in the previous fiscal year.

Table II shows that during the period under review, 70 pension plans were terminated. As of March 31, 1988, the Division was responsible for the supervision of 747 pension plans. Of these, 7 plans were awaiting approval for registration.

In accordance with Section 27 (1) of the Pension Benefits Act, every employer with a registered pension plan in Nova Scotia is required to file an annual information return outlining the contributions made to the pension plan and changes in plan membership.

Based on the returns filed, we calculated the employee and employer contributions to pension plans under our supervision for the fiscal year 1987-88 as follows:

| | |
|---|---|
| Employee Required Contributions | $31,883,000 |
| Employee Voluntary Contributions | 1,041,000 |
| Total Employee Contributions | 32,924,000 |
| Employer Current Service Contributions | 39,219,000 |
| Employer Special Payments | 8,305,000 |
| Total Employer Contributions | $47,524,000 |
| Total Contributions | $80,448,000 |

**REGULATION OF PENSION PLANS, CONT'D.**

As of March 31, 1988, fifty-five employers had not filed the Annual Information Returns within the required period. A further $8,200,000 of employee contributions and $8,000,000 of employer contributions should have been remitted by those plans that did not file any return for this fiscal year, based on the returns submitted for the previous year.

Contribution and membership data from 1,974 returns were compiled and forwarded to Statistics Canada for inclusion in their annual report on pension plans in Canada.

Five hundred and thirty four amendments to pension plan documents were approved.

As in previous years, the Division received many enquiries relating to pension plans from members including the public and pension plan administrators. The most frequent enquiry related to non-receipt of refunds from pension plans on termination of employment. Many inquiries were received from plan administrators, consultants and members concerning the Pension Benefits Act as revised by Bill 103.

**JURISDICTION OF PLAN MEMBERSHIP**

Table III shows the number of Nova Scotia members covered by pension plans supervised by other jurisdictions. Some 1,087 pension plans covering approximately 31,611 Nova Scotia members were supervised by other provincial and federal authorities on behalf of our Division.

**TYPES OF PLANS**

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type. Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings. To date, the most common type of plan is a defined benefit plan which contains a specific formula as to the amount of pension each member is to receive.

**TYPES OF PLANS, CONT'D.**

Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an actuary to estimate periodically how large the fund should be and how much should be contributed to ensure the funding of the benefits.

Table IV shows the number of members in each type of plan. We will continue to monitor these types of plans to determine if there are any significant trends or change in the various types of pension plans.

**REGISTRATION AND FILING FEES**

Fees are payable in respect of all applications for registration of pension plans and for each Annual Information Return filed on a plan.

The registration fee for applications prior to January 1, 1988 was one dollar in respect of each plan member in Nova Scotia or in a designated province with the total fee not less than ten dollars and not more than two hundred dollars. The same fee basis applied to filing of Annual Information Returns.

Effective January 1, 1988, the Registration and Annual Information Filing fee was increased from $1.00 to $2.00 for each member of the pension plan in Nova Scotia or in a designated province, with a minimum fee not less than $50.00 or more than $500.00.

A late filing fee is charged in respect of Annual Information Returns submitted six months after the end of the fiscal year of the pension plan. The later filing fee is $4.00 for each member in Nova Scotia or in a designated province with a minimum of not less than $100.00 or more than $1,000.00.

**OPERATING COSTS AND REVENUE**

Operating costs of the Division for the fiscal year 1987-88 amounted to $160,645.

Revenue derived from fees charged in respect of applications for registration and annual Information Returns amounted to $28,337 for the fiscal year 1987-88.

## APPENDIX

### MAIN PROVISIONS OF THE ACT IN GENERAL TERMS

The Pension Benefits Act (Statutes of Nova Scotia 1987, Chapter II) was effective January 1, 1988. This Act replaced the Pension Benefits Act (Statutes of Nova Scotia 1975, Chapter 14) which was enacted on January 1, 1977.

In general terms, the main provisions of the Act in effect as of March 31, 1988 are as follows:

(1) **Eligibility**
Every employee of a prescribed class of employees for whom a pension plan is established is eligible to be a member. Employees who have completed twenty-four months of continuous full-time employment are eligible upon application for membership. Employees in less than full-time employment are eligible upon meeting certain earnings and service requirements.

(2) **Vesting and locking-in**
Benefits accrued after January 1, 1988 are vested and locked-in upon completion of two years of plan membership. Benefits accrued in respect of service from January 1, 1977 to December 31, 1987 are vested and locked-in after attainment of age 45 and completion of ten years of employment or ten years of membership, whichever occurs first.

(3) **Minimum employer contributions**
In respect of defined benefit plans only, employee contributions made subsequent to December 31, 1987 may be used to provide no more than 50% of the benefit accrued during such period. Any excess contributions may be refunded to the employee on termination of membership.

(4) **Transfer**
A terminated member entitled to a deferred pension may require payment of the commuted value of a deferred pension to another pension plan if the administrator of the other plan agrees to accept the payment, to a prescribed retirement savings arrangement, or for the purchase of a deferred life annuity. These transfer rights do not apply to a member entitled to an immediate retirement pension or to an immediate early retirement pension unless the plan so provides.

**MAIN PROVISIONS OF THE ACT IN GENERAL TERMS, CONT'D.**

(5) **Joint and survivor pension**
Every pension paid to a member who has a spouse on retirement shall be a joint and survivorship pension, reducing to not less than sixty per cent on the death of the member or the spouse. This requirement may be waived in writing by the spouse and the member.

(6) **Sex Discrimination**
The gender of a member, former member or other beneficiary may not be taken into account in determining eligibility, contributions or benefits accrued subsequent to December 31, 1987.

(7) **Funding**
The employer is required to remit monthly sufficient monies to cover the cost of benefits accruing in a year, plus any special payments which are required to be made in respect of an unfunded liability or solvency deficiency.

(8) **Investments**
The funds of a pension plan may be invested and loaned only in investments and loans in which an insurance company governed by the Canadian and British Insurance Companies Act (Canada) may invest or lend its funds under Subsections (1), (2), (5), (6) and (10) of Section 63 of the Act.

(9) **Explanation to Employees**
Each employee eligible for membership in a pension plan must be provided with a written explanation of the provisions of the plan. Further, members must receive an explanation of any amendments to the plan, and an annual statement containing prescribed information. On termination of membership, certain statements must be provided to the member containing prescribed information and within prescribed time periods.

In addition to employees, other persons are now entitled to information on the Plan.

## TABLE I

## SUMMARY OF PENSION PLANS APPROVED, TRANSFERRED, TERMINATED TO MARCH 31, 1988

| | Total as of March 31/87 | Additions (Deletions) | Total as of March 31/88 |
|---|---|---|---|
| Filed Plans | 1,010 | 36 | 1,046 |
| Plans Transferred from Other Jurisdictions | 2 | 6 | 8 |
| Applications Withdrawn | (10) | (1) | (11) |
| Plans Terminated | (203) | (70) | (273) |
| Plans Transferred to Other Jurisdictions | (17) | (6) | (23) |
| Active Plans on File | 782 | (35) | 747 |
| Deduct: Plans in Process of Registration | (44) | 37 | (7) |
| Registered Plans | 738 | 2 | 740 |

TABLE II

TERMINATED PENSION PLANS
1987-88

| Reason | Plans Terminated | Active Members at Termination |
|---|---|---|
| Not Given | 42 | 98 |
| No Members left in Plans | 7 | --- |
| Company Dissolved | 2 | 15 |
| Plan Never Implemented | 4 | --- |
| Merged with Another | 15 | 974 |
| Number of Plans Terminated | 70 | 1,097 |

## TABLE III

### NUMBER OF PENSION PLANS IN CANADA WITH NOVA SCOTIA MEMBERS (BY JURISDICTION) - JANUARY 1, 1987

(Source: Statistics Canada)

| | Plans | Nova Scotia Members |
|---|---|---|
| Nova Scotia | 718 | 53,126 |
| New Brunwsick | 24 | 237 |
| Newfoundland | 15 | 84 |
| Quebec * | 151 | 1,410 |
| Ontario | 744 | 13,587 |
| Manitoba | 12 | 77 |
| Saskatchewan | 3 | 15 |
| Alberta | 38 | 1,823 |
| Federal * | 101 | 14,455 |
| Non-Legislated | 5 | 62,600 |
| TOTAL | 1,810 | 147,337 |

* Table does not add to total as a small number of plans have dual (Quebec - Federal) jurisdiction.

TABLE IV

PENSION PLANS IN CANADA
PENSION PLANS HAVING NOVA SCOTIA MEMBERS - JANUARY 1, 1987

FUNDING INSTRUMENT OF PENSION PLANS
BY TYPE OF PLAN SHOWING TOTAL MEMBERSHIP
IN BOTH THE PUBLIC AND PRIVATE SECTORS

| | Total | |
|---|---|---|
| Type of Plan | Plans Number | Members Number |
| Defined Contribution Plans: | | |
| Money Purchase | 661 | 10,139 |
| Profit Sharing | 32 | 283 |
| | 693 | 10,422 |
| Defined Benefit Plans: | | |
| Final Earnings * | 529 | 92,276 |
| Career Average Earnings | 476 | 26,256 |
| Flat Benefit | 78 | 16,228 |
| Sub-total | 1,083 | 134,760 |
| Composite and Other Plans | 34 | 2,155 |
| TOTAL | 1,810 | 147,337 |

* Includes Final Average Earnings and Average Best Earnings Plans.